Analyst Briefing Notes

Budget Committee Review

(January 28, 2009)

2008 OPERATING BUDGET

Contacts: Alan Cohen Manager, Financial Planning Division
Tel: (416) 392-3740

Lili Vratonjic, Financial Planning Analyst
Tel: (416) 397-4531

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2008 OPERATING BUDGET

Executive Summary

- The 2007 projected year-end net expenditure of $39.095 million is $5.847 million or 17.6% above the 2007 Approved Budget of $33.248 million. This unfavourable variance is due to the impact of the harmonization settlement for part time employees resulting in retroactive payments ($3.1 million) and ongoing payments ($3.2 million), totaling $6.3 million, partially offset by cost containment savings of $0.453 million.

- The 3-Year Operating Budget supports increases in cost of living, merit, step, and other economic factors required to ensure continuous quality care of residents. In addition, it also supports enhanced delivery of Infection Prevention and Control services as well as Nutritional and Support services.

- The 2008 Recommended Operating Budget for Homes for the Aged of $40.734 million net is $7.487 million or 22.5% over the 2008 target, mainly due to the ongoing impact of wage harmonization costs of part time employees totaling $4.3 million.

Table 1: 2008 Recommended Budget

	2007		2008 Recomm'd Operating Budget			Change 2008 Recommended Operating Budget v. 2007 Approvd. Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Recomm'd Base	2008 Rec. New /Enhanced	2008 Rec. Operating Budget			2009	2010
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	192,916.0	193,863.0	205,399.0	1,214.3	206,613.3	13,697.3	7.1	827.0	1,257.6
REVENUE	159,668.3	154,768.3	164,664.6	1,214.3	165,878.9	6,210.6	3.9	(1,244.6)	334.0
NET EXP.	33,247.7	39,094.7	40,734.4	0.0	40,734.4	7,486.7	22.5	2,071.6	923.6
Approved Positions	2,121.4	2,121.4	2,153.4	14.0	2,167.4	45.9	2.2	0.0	0.0

	2008 Recomm'd Base	2008 Rec. Operating Budget	
TARGET	33,247.7	33,247.7	
$ Over / (Under) Program Target	7,486.7	7,486.7	
% Over / (Under) Program Target	22.5%	22.5%	

- The 2008 Recommended Operating Budget includes an additional 45.9 positions, thereby increasing the staffing complement from 2,121.4 to 2,167.4 approved positions. The additional positions are comprised as follows:

  - 11.9 new positions to transition employees currently relying on WSIB back to work on modified duties, which will result in a reduction in WSIB costs by lowering WSIB fees and reducing the need for hiring additional part-time workers, resulting in savings of $0.204 million.

  - 20 new positions to respond to an increase in resident acuity, which has increased by 27.35% over the last decade. Accordingly, the Ministry of Health and Long Term Care (MOHLTC) annually measures acuity and adjusts funding to all long term care homes in order to maintain the necessary care and service levels. There is no net financial impact to the City.

  - 5 new positions (Infection Prevention and Control service enhancement) to ensure that practitioners respond to the increasing infection prevention control demands, and 9 new positions (Enhanced Nutritional and Support Services) to ensure compliance with the new Long Term Care (LTC) Act, both at zero net cost to the City.

- The 2008 Recommended Operating Budget of $40.734 million net is comprised of base funding of $40.734 million (net) and $1.21 million (gross) for new/enhanced services, entirely funded by the Province.

  - The outlook for 2009 is a net increase of $2.072 million and includes step and merit increases, as well as reversal of one time reserve draw of $1.225 million made in 2008 and leap day costs of $0.431 million gross or $0.078 million net. The 2010 outlook increase of $0.924 million net is comprised of ongoing step and merit increases.

- The 2008 Recommended Base Budget is $7.487 million net or 22.5% over the 2008 target.

  - The key cost drivers include the ongoing impact of wage harmonization costs for part-time union employees ($4.3 million), reversal of one-time draw from the Stabilization Reserve Fund in 2007 ($3.5 million), COLA and fringe benefits ($0.997 million), merit and step increases ($0.924 million), and the extra working day due to leap year ($0.078 million); offset by increased user fees ($0.798 million).

  - To help mitigate the impact of these pressures, the 2008 Recommended Operating Budget includes efficiencies that result in net savings of $0.286 million, including cost containment measures continuing from 2007 into 2008 of $0.263 million and a minor service level reduction of $0.023 million. Also recommended is a one-time draw of $1.226 million from the Stabilization Reserve Fund, which will deplete the Fund and create a pressure of $1.226 million in 2009.

- The 2008 Recommended Operating Budget includes the following service enhancements for $1.214 million gross and $0 net:

  - Infection Prevention and Control (IPAC) $0.544 gross, $0 net (5 new positions) - which will ensure that new IPAC practitioners respond to the increasing infection prevention and control demands as outlined in the SARS Commission Report.

  - Enhanced Nutritional and Support Services $0.670 gross, $0 net (9 new positions) – which will ensure compliance with the new LTC Act regarding maintenance of physical plants and food service operations.

- Possible future options to mitigate rising costs include reduction strategies, such as exploring Adult-Day Program partnerships, addressing collective agreement impediments, developing an alternative governance model, and advocating for increased Long-Term Care funding (discussed on page 17). Thus, the General Manager of Homes for the Aged will review these strategies and report back on the status and possible implementation of these reductions before the 2009 Operating Budget Process.

- The 2008 Recommended Operating Budget will allow the Homes for the Aged Program to continue to provide exemplary long term care services to residents and clients, and to actively participate in the creation of an effective continuum of care through strong partnerships with other health care organizations and community partners. The Program operates 10 homes for the aged serving over 2,600 residents.

Recommendations

The Deputy City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Homes for the Aged of $206.613 million gross and $40.734 million net, comprised of the following segments, be approved:

Service:	Gross ($000s)	Net ($000s)
Divisional Office	1,553.6	72.0
Toronto Homes	194,757.1	38,938.7
Community Based Services	10,302.5	1,723.7
Total Program Budget	206,613.2	40,734.4

2. the General Manager of Homes for the Aged explore the potential benefits of conducting another governance structure review of the Homes for the Aged Division before the 2009 Operating Budget Process.

3. the General Manager of Homes for the Aged continue to pursue all reduction strategies, such as exploring Adult-Day Program partnerships, addressing collective agreement impediments, and advocating for increased Long-Term Care funding, and report back during the 2009 Operating Budget Process on the viability of implementing each option.

4. the new service enhancement priorities for Infection Prevention and Control ($0.544 million gross, $0 net) and Nutritional and Support Service ($0.670 million gross, $0 net), be approved. Implementation will be subject to Provincial funding.

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Apprvd. Budget vs Projected Actuals Variance	
(In $000s)	$	$	$	$	% Unspent
GROSS EXP.	177,214.8	192,916.0	193,863.0	947.0	0.5
REVENUES	146,694.6	159,668.3	154,768.3	(4,900.0)	(3.1)
NET EXP.	30,520.2	33,247.7	39,094.7	5,847.0	17.6
Approved Positions	2,126.8	2,121.4	2,121.4	0.0	0.0

*Projected Actuals based on latest estimates.

2007 Experience

The table below summarizes the reason for the net variance of $5.847 million.

2007 Variance Summary for Homes for the Aged				
	100% funded programs (based on volume of claims)	Cost of Harmonization Impact	Cost Containment Savings	Variance Over/(Under)
	($000)	($000)	($000)	($000)
Gross Expenditures	(4,900)	6,300	(453)	947
Revenue	(4,900)	-	-	(4,900)
Net Expenditures	**-**	**6,300**	**(453)**	**5,847**

The unfavourable gross expenditure variance of $0.947 million is attributed to a cost impact of $6.3 million from the harmonization of part-time wages, and is offset by a reduced volume of claims in both the Community Based Services and Homes, which are 100% Provincially funded programs. Also contributing to the gross/net variance is cost containment savings of $0.453 million.

The revenue shortfall from the lower than anticipated provincial subsidy is due to a temporary decline in demand for the Division's claims based services and above noted claims. In addition, the Ministry of Health and Long-Term Care has delayed approvals for certain program enrichment and expansion funding.

Thus, the projected unfavourable net variance of $5.847 million is due to the net increase from the harmonization settlement for part time employee wages of $6.3 million offset by cost containment savings of $0.453 million.

2007 Cost Containment Savings:

Cost containments savings of $0.453 million (as reported in the 3rd quarter variance report) will be realized from the following measures, as shown in the table below:

Net Cost Containment Savings	2007 ($000s) Savings	2008 ($000s) Continued Savings	Comments
Hiring Freeze Savings:	70.0	70.0	Full year
Sub-total	**70.0**	**70.0**	
Discretionary Savings:			
Deferred / Cancelled Consulting Contracts	70.0	75.0	Full year
Deferred / Cancelled Conferences (including Seminars)	50.0	50.0	Full year
Deferred / Cancelled Equipment	200.0		One-time
Deffered IT projects	0.0	30.0	Full year in 2008
Miscellaneous	53.0		One-time
Deferred / Cancelled Advertising and Production of Print Materials	10.0	11.0	Full year
Reduced kilometrage	0.0	7.0	Full year in 2008
Suspend Third Party Medicals	0.0	20.0	Full year in 2008
Sub-total	**383.0**	**193.0**	
TOTAL COST CONTAINMENT	**453.0**	**263.0**	

Impact of 2007 Operating Variance on 2008 Recommended Budget

The 2007 variance arising from the CUPE Local 79 Homes for the Aged Part-Time Unit Arbitration Award is $6.3 million, which is comprised of retroactive payments of $3.1 million and in-year harmonization costs of $3.2 million. The impact on the 2008 Recommended Operating Budget is $4.3 million, which is comprised of $3.2 million for 2007 and $1.1 million for 2008 ongoing costs. The table below summarizes the impact of wage harmonization for 2007 and 2008.

Wage Harmonization Summary			
($ millions)	**2007** Actual	**2008** Rec'd	**Comment**
Retroactive payments	3.1		For the period of December 2004 - February 2007
Ongoing base cost in 2007	3.2 →	3.2	Ongoing 2007 costs not budgeted for in 2007 are included in the 2008 Recommended Operating Budget
Ongoing base cost in 2008		1.1	New 2008 ongoing costs
Total	**$ 6.3**	**$ 4.3**	

The 2008 wage harmonization cost of $4.3 million contributes to almost half of the 2008 budget pressure. The 2008 ongoing costs of $1.1 million are for progressional step increases for employees who have not reached the top of their new salary ranges.

Also, cost containment measures are recommended to continue in 2008 and will result in savings of $0.263 million as indicated in the table above.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

In 2006, Homes for the Aged undertook a major initiative to update their strategic plan, involving numerous community partners. Key trends identified as having an impact on the operations of HFA are shifting demographics with an increase in seniors' population, changes in government policy, unmet community needs, unresolved funding issues, increasing regulation, and challenges in the recruitment and retention of skilled employees.

Collaboration with the five Local Health Integration Networks (LHINs), Bill 140 (The Long-Term Care Homes Act), and the Ministry of Labour's proactive health care audit process also drive the strategic planning process.

The 3-Year strategic direction and priorities are as follows:

- To influence positive outcomes for Toronto's communities and the broader health system through providing leadership and expertise in long-term care;
- To establish and maintain a culture of quality and safety that responds to the well-being, comfort and safety needs of residents and staff;
- To promote integration and efficiency within the healthcare system through collaboration with other healthcare providers; and
- To continue to realign community-based services, based on stakeholder/client assessment and emerging community needs.

Challenges and Issues

The Homes for the Aged provides services to adults who require long-term care. Services may be continuous or intermittent, but are usually delivered on a long-term basis to persons who have demonstrated need, usually as a result of chronic illness, frailty, or an inability to independently complete normal activities of daily living. This division operates 10 Homes for the Aged serving over 2,600 residents, primarily adults whose average age is 85 +, with multiple diagnoses and varying degrees of physical frailties, cognitive impairment and complex care needs.

The challenges faced by Homes for the Aged Program can be summarized into three areas – Provincial funding uncertainties, rising/ongoing salary costs and a rising demand for services as discussed below.

Provincial Funding

As the provider of a wide range of services to a diverse clientele, Homes for the Aged Program is faced with several challenges in delivering services, as both the funding model and organizational structure at the Province are evolving.

Since 1993, the Ministry of Health and Long Term Care (MOHLTC) has been providing long-term care (LTC) funding based on a model referred to as level of care funding. In 2006, the Province introduced new long term care legislation through Bill 140, the "Long-Term Care Homes Act, 2006". While this new legislation outlines changes in standards of care, the proposed legislation provides little clarification on pending funding reforms.

The MOHTLC will be conducting a review of the current funding mechanisms, with the goal of creating a fair, streamlined and stable funding approach with increased accountability and enhanced reporting mechanisms. The Ministry has already initiated work in the creation of an alternative assessment system to measure the level of care required, which will facilitate the development of a revised funding formula.

The long-term care homes sector requires a commitment to multi-year, sustainable funding from the MOHLTC. Currently, the funding is variable and based on complex formula that fluctuates from year-to-year, which requires that the Program aggressively pursue all available grants, subsidies and revenues.

The Program will continue to advocate for new legislative guidelines for the operation of Ontario's long-term care homes, and remains committed to working co-operatively with MOHLTC to build the new legislative governance framework.

Salary and Ongoing Costs/Pressures

The City of Toronto and CUPE Local 79 received an arbitration award on May 18, 2005 resolving issues outstanding from amalgamation with respect to rate and job classification harmonization, job evaluation and pay equity. Full time employees were assigned into new harmonized job classifications and placed into the next highest step of the wage grade associated with their new position. The effective date of the award was December 31, 2004. As the overall cost to the City was significant, the award directed that employees would receive progressive step increases at one year intervals until they reached the top of their new salary range. The total financial impact of this award was $7.1 million for the Homes for the Aged.

A further arbitration award between the City of Toronto and CUPE Local 79 Homes for the Aged Part-Time Unit was rendered on October 24, 2006, with a planned implementation to begin in 2007. The financial impact of this award for Homes for the Aged is $6.3 million, comprised of retroactive payments of $3.1 million and in-year harmonization costs of $3.2 million. The 2008 impact is $4.3 million, comprised of annualized wage increments totalling $3.2 million for 2007 and $1.1 million for 2008.

Given that Homes for the Aged is a 24/7 operation, and salary costs represent about 85% of the budget, the pressures of wage harmonization are significant and contribute to the 2008 Recommended Operating Budget increase above target by 12.93%.

Furthermore, average wages for HFA staff are significantly higher than the average salaries in Ontario's long term care system. Pay equity costs are also higher for Toronto Homes for the Aged as compared to many other long-term care facilities. The current collective agreement requires that Homes for the Aged employees be paid for 8-hour shifts. This is unlike the health care sector generally, where 7.5 hours are the norm. The financial impact of this shift overlap costs the Program approximately $3.3 million.

Service Demands

HFA works in response to the growing and changing needs of residents and clients, and in response to the diversity of the City (including ethno-racial, cultural and linguistic communities). The Program works closely with external partners and stakeholders, community agencies and health care organizations. HFA strives to maintain high client satisfaction levels through the provision of high quality care, while ensuring that services are delivered efficiently.

The demand for resources required to achieve program goals and provide the same level of service as in past years presents challenges and opportunities that need to be addressed in light of the 2008 target which does not adequately cover key base budget pressures.

Services provided to residents in the homes include recreational programming, nursing and medical services, housekeeping, maintenance, dietetics and food services, laundry, social work, volunteer services, spiritual and religious care, rehabilitative and therapy services, trust and administrative services.

HFA Program also provides the following Community-based services:

- Homemakers and Nurses Services are provided to clients in their own homes. Service levels are approximately 110,000 client visits, of whom 50% are frail and elderly; 28% have a chronic illness; 8% are physically disabled; and 10% have a psychiatric disability.
- Supportive Housing provides personal support services to approximately 300 clients in a number of contracted sites. The majority of the clients are over 59 years of age.
- Four of the City's homes offer Adult Day services to clients who live in the community (approximately 12,000 client days annually), of whom the majority are over 75 years of age and exhibit a variety of physical and cognitive deficits.

Homes for the Aged, as the provider of a wide range of services to a diverse clientele, is faced with several challenges in delivering services given the current level of funding.

Residents in Toronto Homes for the Aged come from 45 countries of origin, speak 36 languages and represent 50 faith groups. As acuity levels rise, so does the need for further funding needed to provide necessary services and care, which has generally been funded by the Province.

Strategic Priorities

Homes for the Aged has developed a multi-year plan that prioritizes and aligns strategic initiatives that directly address a number of Council's priorities. Some of these initiatives include the following:

- Influence positive outcomes for Toronto's communities and the broader health system through Home for the Aged leadership and expertise in long term care
- Promote integration, and efficiency within the healthcare system through collaboration with other healthcare providers
- Develop targeted recruitment plan for entry level or internship positions toward hiring youth from at-risk communities such as a youth entreneurship landscaping and/or indoor plant maintenance program
- Continue to realign community based services, based on stakeholder/client assessment and emerging community needs

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In $000s)	2007 Appvd. Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook 2009	FY Incremental Outlook 2010
	$	$	$	%	$	$
GROSS EXP.	192,916.0	205,399.0	12,483.0	6.5	827.0	1,257.6
REVENUE	159,668.3	164,664.6	4,996.3	3.1	(1,244.6)	334.0
NET EXP.	33,247.7	40,734.4	7,486.7	22.5	2,071.6	923.6
Approved Positions	2,121.4	2,153.4	31.9	1.5	0.0	0.0
TARGET		33,247.7				
$ Over / (Under) Program Target		7,486.7			2,071.6	923.6
% Over / (Under) Program Target		22.5%			6.2%	2.8%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of $40.734 million net is 22.5% or $7.487 million over the 2007 Approved Budget and the 2008 target, after the recommended service level adjustments of $1.512 million.

- The Program is over target by $7.487 million net, mainly due to the $4.3 million net cost resulting from the 2007 harmonization of part-time staff. An arbitration award between the City of Toronto and CUPE Local 79 Homes for the Aged Part-Time Unit was rendered on October 24, 2006, effective January 1, 2007.

- The additional $3.2 million of recommended net expenditures include reversal of one time Stabilization Reserve Funding draw of $3.5 million made in 2007, COLA and benefit costs of $0.997 million, merit and step increases of $0.93 million and leap day costs of $0.078 million net; offset by increased revenues of $0.8 million, cost containment savings of $0.26 million and a one time reserve draw of $1.22 million

- The additional 31.9 positions, included in the 2008 Recommended Base Budget, are funded by Provincial subsidies and will respond to an increase in resident acuity (20 positions) as well as assist with WSIB budget reductions by returning employees to work safely (11.9 positions).

2008 Base Budget Key Cost Drivers and Reduction Strategies

- Key cost drivers include harmonization costs of part time union staff ($4.3 million), reversal of one time funding from the Stabilization Reserve Fund used in 2007 ($3.5 million), COLA and fringe benefits ($0.997 million), merit and step increases ($0.93 million), and are offset by increased user fees $(0.798 million)
- Reduction strategies to help mitigate cost pressures include continuation of cost containment measures (noted on page 7) of $0.263 million, a one time draw from the Stabilization Reserve Fund, which will deplete the Fund by the end of 2008 ($1.226 million), and the elimination of divisional level co-ordination of Spiritual and Religious Care Services ($0.024 million).

2009 and 2010 Outlook: Net Incremental Impact:

The net incremental impact of $2.072 million in 2009 and $0.924 million in 2010 represents increases in staffing costs mainly for step and merit. The Outlook does not include a provision for COLA, as the increase is subject to future negotiations. Also included are reversals of leap day costs and one time revenue draws from the Stabilization Reserve Fund.

The 2009 and 2010 Outlooks do not take into account a number of unconfirmed pressures and savings driven by inflation, volume increases, and potential provincial funding.

Wage harmonization impacts are expected to end by 2008.

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In $000s)

Description	2008 Recommended		Rec. New Positions	Net Incremental	
	Gross Exp.	Net Exp.		2009	2010
	$	$	#	$	$
(a) Enhanced Service Priorities - Council Approved:					
(b) Enhanced Service Priorities - Program Initiated:					
Infection Prevention and Control (IPAC)	544.3	0.0	5.0		
Enhanced Nutritional & Support Services	670.0	0.0	9.0		
Sub-Total Enhanced Service Priorities	1,214.3	0.0	14.0	0.0	0.0
(a) New Service Priorities - Council Approved:					
(b) New Service Priorities - Program Initiated:					
Sub-Total New Service Priorities	0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Prioriti	**1,214.3**	**0.0**	**14.0**	**0.0**	**0.0**

2008 Recommended Service Priorities

Recommended Enhanced Services – Program Initiated:

Infection Prevention and Control (IPAC) ($0.544 million gross/ $0 net) **–** The SARS Commission Report along with the expectations placed on the homes by the MOHLTC and Ministry of Labour (MoL) have resulted in increased requirements in IPAC for health care organizations including long-term care homes. New IPAC practitioners must respond to the increasing infection prevention and control demands and meet the culture of safety requirements in order to keep staff and residents safe. The SARS Commission Report recommends new staff resources for IPAC, and an additional 5 Infection Prevention and Control resources will be deployed throughout the ten Toronto Homes for the Aged. Implementation will assist in meeting compliance with the new IPAC requirements.

Enhanced Nutritional & Support Services ($0.670 million gross/$0 net) **–** The new LTC Homes Act and regulations will broaden and increase LTC program accountability requirements, especially the maintenance of physical plants and food service operations. It is anticipated that the Long Term Care Homes sector will receive a MOHLTC subsidy increase with funding linked to new requirements for safety once the LTC Homes Act is proclaimed. Additional resources will help the Division better meet its ongoing high operational demands and reduce the risk of MoL and

MOHLTC non-compliance. Implementation will be contingent upon the City receiving increased provincial funding. Additional building maintenance (7) and food service (2) staffing resources will be deployed throughout the ten Toronto homes for the aged to provide technical expertise, assistance, advice. Additional resources will allow the Division to enhance preventive maintenance of the buildings and equipment and slow the deterioration and turnover of building and equipment assets. Also, additional resources will enable improved nutritional care for residents who have a higher level of nutritional risk due to frailty and support the Division in proactively managing quality and risk while contributing to the safety and comfort of residents with higher acuity.

Section E: Issues for Discussion

2008 Operating Budget Issues

2008 Recommended Operating Budget vs. Guideline

The 2008 Recommended Operating Budget for HFA is 22.5% over target. The increase is very much driven by the cumulative impact of wage harmonization arbitration awards, as well as non-discretionary increases in staffing costs. The Homes for the Aged is a 24/7 operation with salary and benefit costs accounting for about 85% of the operating budget.

An arbitration award between the City of Toronto and CUPE Local 79 Homes for the Aged Part-Time Unit was rendered on October 24, 2006, with a planned implementation to begin in 2007. The 2007 financial impact of this award for Homes for the Aged is $6.3 million, comprised of retroactive payments of $3.1 million and in-year harmonization costs of $3.2 million. The 2008 impact is $4.3 million, comprised of annualized wage increments totalling $3.2 million for 2007 and $1.1 million for 2008 (as part-time employees reach the top of the harmonized wage grade).

Given that Homes for the Aged is a 24/7 operation, and salary costs represent about 85% of the budget, the pressures of wage harmonization are significant and contribute to the 2008 Recommended Operating Budget increase above target by 12.93%.

Over the past several years the Homes for the Aged Division has been proactive in adjusting to the reduced provincial funding system and meeting annual targets. However, the wage harmonization issue has alone contributed to more than half of the increase over the 2008 target. Furthermore, non-discretionary increases in COLA, merit, step, and economic factors contribute to the remaining increase over the target.

Annual draws from the Stabilization Reserve Fund have been used in part as a source of funding to offset budget pressures. However, the draw of $1.226 million included in the 2008 Recommended Operating Budget will deplete the Reserve Fund, creating greater pressures for 2009.

The HFA 2008 Recommended Operating Base Budget relies on a City of Toronto Net contribution of about 20 percent.

Furthermore, the salary structure for HFA staff is roughly 30% higher than the average salary in Ontario’s long term care system. Pay equity costs are also higher for Toronto Homes for the Aged as compared to many other long-term care homes. The current collective agreement requires that Homes for the Aged employees be paid for 8-hour shifts. This is unlike the health care sector generally, where 7.5 hours are the norm. The financial impact of this shift overlap costs the Program approximately $3.3 million.

To offset the significant increase in costs over the 2007 Operating Budget, various reduction options are being reviewed as explained below.

Reduction Options

a) Explore Adult-Day Program Partnerships ($0.245 million)

In an attempt to mitigate pressures, HFA staff is exploring integration opportunities with the Local Health Integration Networks (LHINs) as part of their Integrated Health Services Plan (IHSP) to find partners for the delivery of the Adult Day Program. The Adult Day Program is not a mandatory program, but the services provided to the community are invaluable to both the individual clients and families who rely on this service. The Adult Day Program provides an opportunity for seniors in the community to participate in social and health promotion programs and meet new friends. The Program offers a variety of quality activities and services in a safe and supportive environment to individuals living in the community who are physically frail, have a cognitive impairment, or are socially isolated. Program goals include preserving the client's level of mental and physical functioning, providing respite and support to caregivers, and helping individuals remain at home in their own community. Clients and their families benefit significantly from this service.

The Program provides about 12,000 client days of service each year and has 17.5 approved positions for 2008. The total cost of the Adult Day Program is about $1.5 million gross, out of which the City of Toronto funds about $0.245 million. By finding a partner to deliver the program, Homes for the Aged would ensure that such a valuable service remains an option to the participants, while still successfully reducing costs. Because the MOHLTC has not yet finalized their labour market adjustment strategy, the impact, achievability and timing are not yet verified.

b) Address Collective Agreement Impediments ($3.3 million)

The current collective agreement prevents the Division from implementing potentially significant savings through the reduction of 8 hour shifts to 7.5 hours. Currently, shifts overlap by ½ hour. Reducing 40 hour/week jobs to 37.5 would produce annualized savings of approximately $3.3 million. By reducing shift time, there would be no impact on service levels, but negotiation with CUPE would be necessary. Labour Relations staff verify that to date this initiative would likely be a breach of current contract. The ability to reduce overlapping shifts would need to be bargained for during upcoming negotiations.

HFA staff will be working with the Union on the upcoming contract negotiations to reduce shift hours and generate savings.

c) Governance Structure Review

A possible option to mitigate the cost pressures is to develop an alternative governance model, whereby an entity separate from the rest of the municipality is created and allowed to better control their corporate and compensation costs.

In 2001, The Hay Health Care Consulting Group conducted a governance structure review of the City’s HFA Division. The objective of the review was to explore options for governance and resultant organization structures available to the City’s Homes for the Aged Program that maintain strong public sector presence in long-term care and sustain and/or enhance quality at a lower cost.

One of the major challenges facing Homes for the Aged Program is that certain cost drivers, such as wages determined by Collective Agreements, prevent the Program from making substantial cost savings without affecting the quality of care. The primary purpose for the Hay review was to determine whether there are other governance models, which would allow the Program to address these cost drivers.

Four major governance options were reviewed in-depth in the course of the Hay review – maintaining the status quo; an Agency, Board, or Commission; Divestiture; and a Regional Long-Term Care Authority.

(1) Agency, Board, Commission

Under the Agency, Board or Commission (ABC) option a new organization is created to own and operate the Homes for the Aged. It would operate at arms-length from the City, but the City of Toronto would be the sole shareholder and appoint all Board members. Assets of the homes are transferred to the new organization. It was determined in 2001, that the City cannot create such a Agency, Board, or Commission without a change in legislation. The Ontario Labour Relations Board would consider a special purpose body of this kind to be a "related employer" under the *Labour Relations Act*. It was determined at the time, that this would negate the opportunity to create a new bargaining unit for the Homes for the Aged. Thus, there would be no opportunity for cost savings arising from this option.

(2) Divestiture/Closure of a Home for the Aged

As determined in 2001, the closure of one Home for the Aged would not produce immediate savings and would result in a significant one time increase in costs. In addition, there would be a continuing liability for the City regarding WSIB and LTD costs without any provincial subsidy offsets. The Ministry approval of the closure would be required. The Ministry would require that the current standards are maintained throughout any transition period. Successor rights provisions of the *Labour Relations Act* would possibly apply, so the collective agreement provisions would remain in effect for the near term if another long-term operator were to take over at the City's site. The typical home of this size has a total of about 240 positions, comprised of 13 managers, 135 full-time staff and 92.0 part-time staff.

The HFA Program could be destabilized as more senior staff would have the right to transfer to the one of the other 9 Homes. Such transfer of staff members could affect well-functioning teams as well as security and well-being of residents. Therefore, this option was not considered at that time.

(3) Regional Long-Term Care Authority

A Regional Long-Term Care Authority would be created through a merger of Homes for the Aged owned by two or more municipalities within the GTA. It was determined that the merger would not address major cost drivers for the following reasons: transition and harmonization costs would be significant, complicated negotiations between municipalities would be required, and the Public Sector Transition Stability Act would apply to all collective agreement issues.

The Hay Health Care Consulting Group concluded in 2001 from their study that there is no compelling reason to deviate from the status quo structure for the Homes for the Aged Program. With the exception of the divestiture option, each of the alternative governance options would allow for the City to maintain a strong public sector/non-profit presence in long-term care and maintain public accountability for the program. It was determined that the none of the potential new governance options addressed the major cost driver issues and may even reduce quality of care and service currently provided to residents.

Under legislation existing in 2001, there was no possibility for the City to substantially lower its net costs. The best and most effective means of controlling costs was to continue the direct ownership and operation of the Homes.

However, as the last governance review was conducted in 2001, it may be prudent to explore whether another review is warranted given changes in circumstances and legislation.

Thus, it is recommended that the General Manager of Homes for the Aged, explore the potential benefits of conducting another governance review of the HFA Division before the 2009 Budget Process.

d) Advocate for an Increase in Long-Term Care Funding ($15.0 million)

City Council should continue to reiterate its position to the Provincial government that funding to long-term care homes must be improved to meet the care and service requirements of residents living in long-term care homes. Associations representing the long-term care sector, advocacy groups and provider organizations are requesting the Provincial government to increase long-term care funding in 2008 in the range of $12.00 to $20.00 per resident day to address past under-funding.

In conclusion, the above options to address immediate cost pressures have been reviewed and it was determined that none of them be recommended at this time due to pending agreements and necessary further reviews. Given the significant budget pressures facing the Homes for the Aged Program, the General Manager of Homes for the Aged will continue to pursue all proposed reduction strategies and report back during the 2009 Operating Budget Process on the viability of each option for implementation.

Appendix 1

Summary of Recommended Base Budget Changes From 2007 Approved Budget

	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
($000's)		$	$	$	$	$
2007 Approved Operating Budget	**2,121.4**	**192,320.2**	**159,668.3**	**32,651.9**	**0.0**	**0.0**
In-year approvals and technical adjustments		595.8		595.8		
2007 Approved Operating Budget	**2,121.4**	**192,916.0**	**159,668.3**	**33,247.7**	**0.0**	**0.0**
Prior year impacts	20.0	8,129.4	(592.7)	8,722.1	(77.6)	
Zero base items						
Economic factors		4,413.4	3,416.7	996.7	923.6	923.6
Adjusted Base Budget	**2,141.4**	**205,458.8**	**162,492.3**	**42,966.5**	**846.0**	**923.6**
Other base changes	11.9	226.6	149.0	77.6		
Base revenue changes			797.7	(797.7)		
2008 Base Budget Request	**2,153.3**	**205,685.4**	**163,439.0**	**42,246.4**	**846.0**	**923.6**
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments			1,225.6	(1,225.6)	1,225.6	
Minor service impact		(286.4)		(286.4)		
Major service impact						
Total Recommended Base Adjustments	**0.0**	**(286.4)**	**1,225.6**	**(1,512.0)**	**1,225.6**	**0.0**
2008 Recommended Base Budget	**2,153.3**	**205,399.0**	**164,664.6**	**40,734.4**	**2,071.6**	**923.6**
2007 Program Operating Target	**N/A**	**N/A**	**N/A**	**33,247.7**		
% Over (Under) Program Target				**22.5**		
% Over (Under) 2007 Approved Budget				**22.5**		

Appendix 2

Summary of Service Level Adjustments

Appendix 3

Summary of 2008 Recommended New/Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of September 2007	Proposed Withdrawals (-) / Contributions (+)		
				2007	2008	2009
			$	$	$	$
Insurance Reserve Fund	XR1010		25,055.3	975.7	975.7	0.0
Sick Leave Reserve Fund	XR1007		59,753.5	415.0	415.0	0.0
Stabilization Reserve Fund	XR1110	HA-Z003	4,780.0	(3,498.5)	(1,225.6)	0.0
Total Reserve / Reserve Fund Draws / Contributions				**(2,107.8)**	**165.1**	**0.0**